

BULLARD SANFORD MEMORIAL LIBRARY

Vassar, Michigan

FINANCIAL STATEMENTS

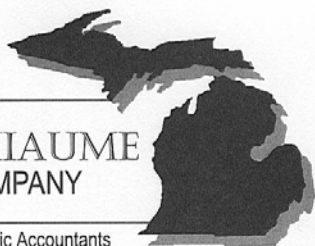
June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bullard Sanford Memorial Library
Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bullard Sanford Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullard Sanford Memorial Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

Saginaw, Michigan
October 29, 2008

BASIC FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF NET ASSETS

June 30, 2008

Assets:

Cash and cash equivalents	\$ 1,691
Receivables	16,263
Prepaid expenses	1,622
Capital assets:	
Nondepreciable capital assets	5,000
Depreciable capital assets, net	<u>848,033</u>
Total assets	<u>872,609</u>

Liabilities:

Accounts payable and accrued expenses	16,123
Long-term liabilities:	
Due within one year	13,997
Due in more than one year	<u>384,923</u>
Total liabilities	<u>415,043</u>

Net assets:

Invested in capital assets, net of related debt	459,262
Unrestricted	<u>(1,696)</u>
Total net assets	<u>\$ 457,566</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Program expenses:

Personal services	\$ 175,502
Materials and services	94,319
Depreciation	60,093
Interest on long-term debt	<u>22,906</u>
Total program expenses	<u>352,820</u>

Program revenues:

Operating grants and contributions	<u>72,315</u>
Total program revenues	<u>72,315</u>
Net program expenses (revenues)	<u>280,505</u>

General revenues:

Property taxes	259,525
Investment earnings	1,089
Miscellaneous	<u>13,874</u>
Total general revenues	<u>274,488</u>
Decrease in net assets	(6,017)
Net assets, beginning of year	<u>463,583</u>
Net assets, end of year	<u><u>\$ 457,566</u></u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	<i>General Fund</i>
Assets:	
Cash and cash equivalents	\$ 1,691
Taxes receivable	3,952
Due from other governmental units	12,311
Prepaid expenditures	<u>1,622</u>
Total assets	<u><u>\$ 19,576</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 5,458
Deferred revenue	<u>3,952</u>
Total liabilities	<u>9,410</u>
Fund balance:	
Reserved for:	
Prepaid expenditures	1,622
Unreserved	
General fund	<u>8,544</u>
Total fund balance	<u>10,166</u>
Total liabilities and fund balance	<u><u>\$ 19,576</u></u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total fund balances for governmental funds \$ 10,166

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,282,762	
Less accumulated depreciation	<u>(429,729)</u>	853,033

Accrued interest payable in the governmental activities is not payable from
current resources and therefore is not reported in the governmental funds. (10,665)

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities. 3,952

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Note payable	(393,771)	
Compensated absences payable	<u>(5,149)</u>	<u>(398,920)</u>

Net assets of governmental activities \$ 457,566

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i>General Fund</i>	<i>Building Project Fund</i>	<i>Total Governmental Funds</i>
Revenues:			
Property taxes	\$ 259,307	\$ -	\$ 259,307
State grants	6,556	-	6,556
Contributions from other units	63,589	-	63,589
Interest and rents	1,084	5	1,089
Other revenue	16,044	-	16,044
	<u>346,580</u>	<u>5</u>	<u>346,585</u>
Total revenues			
Expenditures:			
Current			
Recreation and culture	251,787	-	251,787
Capital outlay	45,960	-	45,960
Debt service			
Principal	88,335	-	88,335
Interest and fees	23,267	-	23,267
	<u>409,349</u>	<u>-</u>	<u>409,349</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(62,769)</u>	<u>5</u>	<u>(62,764)</u>
Other financing sources (uses):			
Proceeds from short-term borrowing	75,000	-	75,000
Transfer from other fund	501	-	501
Transfer to other fund	-	(501)	(501)
	<u>75,501</u>	<u>(501)</u>	<u>75,000</u>
Total other financing sources (uses)			
Net change in fund balances	12,732	(496)	12,236
Fund balances, beginning of year	(2,566)	496	(2,070)
Fund balances, end of year	<u>\$ 10,166</u>	<u>\$ -</u>	<u>\$ 10,166</u>

The accompanying notes are an integral part of these financial statements.

BULLARD SANFORD MEMORIAL LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 12,236

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	29,176	
Less depreciation expense	<u>(60,093)</u>	(30,917)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. 218

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (75,000)

Repayments of principal on notes are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets. 88,335

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	361	
Change in compensated absences payable	<u>(1,250)</u>	<u>(889)</u>

Change in net assets of governmental activities \$ (6,017)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 6, 1996, pursuant to 1989 P.A. 24 of the State of Michigan, and effective July 1, 1996, for financial reporting purposes, the City of Vassar and Tuscola and Vassar Townships agreed jointly to establish a District Library - the Bullard Sanford Memorial Library. Subsequently, in 1998 a portion of Juniata Township which is not in the Caro School District joined with the District Library. The primary funding sources of the District Library are property taxes, penal fines and state aid. The City of Vassar, Tuscola Township, and Vassar Township each appoint two library trustees, and Juniata Township appoints one, for a total of seven library trustees.

The accounting policies of the Bullard Sanford Memorial Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its financial statements. The Library is not considered to be a component of any other unit.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for the major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Library reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	10-15 years
Vehicle	5 years
Collections	3-7 years

Compensated Absences – It is the Library's policy to permit the Director to accumulate earned but unused sick hours up to 360. Upon retirement or leaving the employment of the Library, the Director would be paid for one half of the accumulated hours. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Property Taxes

The library tax of .9884 mill and an additional .25 mills are levied by the City of Vassar and the Townships of Tuscola, Vassar, and Juanita based on the assessed valuation of property, as equalized by the State, as of the preceding December 31. Property taxes are recognized as revenue in the year levied, except for insignificant amounts of delinquent personal property taxes which are recognized as revenue when collected. A portion of the Juniata Township taxes are allocated to the Fairgrove Library.

The 2007 taxable valuation for the Bullard Sanford Memorial Library was \$220,939,731.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library did not incur expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

The Library reports a cash balance of \$1,691 at year end. These monies are being held as part of a pooled cash account by the City of Vassar. Because the Library's cash is held as part of the pooled cash account by the City of Vassar, it is subject to the same risks the City is subject to.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. Information regarding these deposits and associated risks may be obtained from the City of Vassar Financial Report for the fiscal year ended June 30, 2008.

NOTE 4: CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2008</u>
<i>Governmental activities:</i>				
Nondepreciable capital assets				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Depreciable capital assets				
Buildings and improvements	759,956	-	-	759,956
Collections	370,402	26,909	(59,949)	337,362
Furniture and equipment	143,177	2,267	-	145,444
Vehicles	35,000	-	-	35,000
Total depreciable capital assets	1,308,535	29,176	(59,949)	1,277,762
Accumulated depreciation	(429,585)	(60,093)	59,949	(429,729)
Depreciable capital assets, net	878,950	(30,917)	-	848,033
Governmental activities, capital assets, net	<u>\$ 883,950</u>	<u>\$ (30,917)</u>	<u>\$ -</u>	<u>\$ 853,033</u>

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent personal property taxes	\$ 3,952

The unavailable amount is deferred in the fund financial statements.

NOTE 6: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Long-term liabilities at June 30, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Balance at Year-End</u>
Governmental activities:					
2006 note - library facility	12/15/07-12/15/25	5.00%	\$13,331-32,082	\$ 434,425	\$ 393,771

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
2006 note - library facility	\$ 407,106	\$ -	\$ (13,335)	\$ 393,771	\$ 13,997
Compensated Absences	3,899	1,250	-	5,149	-
Total governmental activities					
- long-term liabilities	<u>\$ 411,005</u>	<u>\$ 1,250</u>	<u>\$ (13,335)</u>	<u>\$ 398,920</u>	<u>\$ 13,997</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,997	\$ 19,689	\$ 33,686
2010	14,697	18,989	33,686
2011	15,432	18,254	33,686
2012	16,204	17,482	33,686
2013	17,014	16,672	33,686
2014-2018	98,712	69,718	168,430
2019-2023	125,985	42,445	168,430
2024-2026	<u>91,730</u>	<u>9,328</u>	<u>101,058</u>
	<u>\$ 393,771</u>	<u>\$ 212,577</u>	<u>\$ 606,348</u>

The following summarizes the Library's short-term obligation for the tax anticipation note:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2008</u>
Tax anticipation note	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ (75,000)</u>	<u>\$ -</u>

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Library's governmental activities in the aggregate are as follows:

Receivables:

Property taxes	\$ 3,952
Intergovernmental	<u>12,311</u>
Total receivables	<u>\$ 16,263</u>

Accounts payable and accrued expenses:

Accounts	\$ 5,458
Accrued interest	<u>10,665</u>
Total accounts payable and accrued expenses	<u>\$ 16,123</u>

NOTE 8: RISK MANAGEMENT

The Library obtains its employee insurance coverage through the policies of the City of Vassar. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Vassar, is insured under the City of Vassar insurance policy. The Library reimburses the City for the cost of insurance.

The Library has obtained, from commercial insurance companies, insurance coverage for contents and other liabilities.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Eligible Library employees are covered under the City of Vassar's retirement plan. The City contributes to the Michigan Municipal Retirement System (MERS) for all of its eligible employees and eligible Library employees. The Library reimburses the City for this expense.

Eligible Library employees are also allowed to participate in the City's Section 457 Deferred Compensation Plan. The Library makes a contribution to the Deferred Compensation Plan for certain employees in lieu of a pension contribution. To be eligible for this deferred compensation contribution the employee must generally work between 30 and 34 hours per week.

For the year ended June 30, 2008, the Library contributed \$9,917 to the MERS Pension Plan.

BULLARD SANFORD MEMORIAL LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 11: AGREEMENTS

The Library has a lease for the library building with the City of Vassar. The lease requires a payment of \$1 per year to the City. The lease is for seven (7) years through May 6, 2009. The City then has the option of renewing the lease or deeding the property over to the Library.

The Library also has a fiscal agent agreement with the City of Vassar. Under this agreement, the City provides certain bookkeeping and administrative services. During the year ended June 30, 2008, the City was paid \$5,166 pursuant to this agreement.

The library has an agreement with the Fairgrove Library which requires that a certain portion of the Juniata Township property tax revenues be shared with the Fairgrove Library. The agreement also requires the sharing of certain other revenues such as state aid and penal fines.

REQUIRED SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 261,744	\$ 258,688	\$ 259,307	\$ 619
State grants	5,130	6,410	6,556	146
Contributions from other units	58,000	62,390	63,589	1,199
Interest and rents	1,000	700	1,084	384
Other revenue	8,150	15,950	16,044	94
Total revenues	334,024	344,138	346,580	2,442
Expenditures:				
Current				
Recreation and culture	249,561	253,878	251,787	(2,091)
Capital outlay	47,700	53,850	45,960	(7,890)
Debt service				
Principal	95,000	88,335	88,335	-
Interest and fees	16,500	23,270	23,267	(3)
Total expenditures	408,761	419,333	409,349	(9,984)
Excess (deficiency) of revenues over expenditures	(74,737)	(75,195)	(62,769)	12,426
Other financing sources:				
Proceeds from short-term borrowing	75,000	75,000	75,000	-
Transfer from other fund	-	-	501	501
Total other financing sources	75,000	75,000	75,501	501
Net change in fund balance	263	(195)	12,732	12,927
Fund balance, beginning of year	(2,566)	(2,566)	(2,566)	-
Fund balance, end of year	<u>\$ (2,303)</u>	<u>\$ (2,761)</u>	<u>\$ 10,166</u>	<u>\$ 12,927</u>

OTHER SUPPLEMENTAL INFORMATION

BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

Revenues:

Property taxes:

City of Vassar	\$ 62,072
Juniata Township	20,313
Tuscola Township	76,922
Vassar Township	99,272
Penalties and interest	415
Payment in lieu of taxes	313
	<u>259,307</u>

State Grants:

State aid	<u>6,556</u>
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Contribution from other units:

County penal fines	<u>63,589</u>
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Interest and rents:

Interest	<u>1,084</u>
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Other Revenue:

Contributions and donations	2,170
Other	13,874
	<u>16,044</u>

Total revenues	<u>346,580</u>
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Other Financing Sources:

Proceeds from short-term borrowing	75,000
Transfer from other fund	501
	<u>75,501</u>

Total other financing sources	<u>75,501</u>
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Total revenues and other financing sources	<u>\$ 422,081</u>
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BULLARD SANFORD MEMORIAL LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2008

Recreation and Culture:

Library:

Personnel	\$ 140,058
Fringe benefits	34,194
Supplies	18,367
Contracted services	9,738
Administrative charges - City of Vassar	5,166
Communication	4,796
Dues and subscriptions	753
Conference and travel	3,031
Printing and publishing	1,010
Insurance	5,434
Utilities	15,052
Repairs and maintenance	5,937
Equipment rental	1,630
Other	6,621
	<u>251,787</u>

Capital Outlay:

Recreation and culture	<u>45,960</u>
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Debt Service:

Principal	88,335
Interest and fees	<u>23,267</u>
	<u>111,602</u>

Total expenditures	<u><u>\$ 409,349</u></u>
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BULLARD SANFORD MEMORIAL LIBRARY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

Year Ended June 30, 2008

2006 LIBRARY FACILITY BOND

Issue dated August 30, 2006 in the amount of	\$	434,425
Less: Principal paid in prior years		(27,319)
Principal paid in current year		<u>(13,335)</u>
Balance payable at June 30, 2008	\$	<u>393,771</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal</u></i> <i><u>December 15</u></i>	<i><u>Interest</u></i> <i><u>December 15</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2009	5.00%	\$ 13,997	\$ 19,689	\$ 33,686
2010	5.00%	14,697	18,989	33,686
2011	5.00%	15,432	18,254	33,686
2012	5.00%	16,204	17,482	33,686
2013	5.00%	17,014	16,672	33,686
2014	5.00%	17,864	15,822	33,686
2015	5.00%	18,758	14,928	33,686
2016	5.00%	19,695	13,991	33,686
2017	5.00%	20,681	13,005	33,686
2018	5.00%	21,714	11,972	33,686
2019	5.00%	22,800	10,886	33,686
2020	5.00%	23,940	9,746	33,686
2021	5.00%	25,137	8,549	33,686
2022	5.00%	26,394	7,292	33,686
2023	5.00%	27,714	5,972	33,686
2024	5.00%	29,099	4,587	33,686
2025	5.00%	30,554	3,132	33,686
2026	5.00%	<u>32,077</u>	<u>1,609</u>	<u>33,686</u>
		<u>\$ 393,771</u>	<u>\$ 212,577</u>	<u>\$ 606,348</u>



REQUIRED COMMUNICATION TO THE BULLARD SANFORD MEMORIAL LIBRARY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Library Board
Bullard Sanford Memorial Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our revised engagement letter. You have elected to exclude the Management's Discussion & Analysis which is not a required part of the basic financial statements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the St. Charles District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Library, appropriately, uses an estimated useful life of three (3) to seven (7) years for books and periodicals that are depreciated.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Bullard Sanford Memorial Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the Library has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Library has placed reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls.

Cause: This condition was caused by the Library's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Library to perform these tasks internally.

Effect: As a result of this condition, the Library lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Library has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Library to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, the Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
October 29, 2008